

CHRISTOPHER S. MORRIS
MARGARET G. JACOBO
ASSISTANT CITY ATTORNEYS

OFFICE OF
THE CITY ATTORNEY
CITY OF SAN DIEGO

Michael J. Aguirre
CITY ATTORNEY

CRIMINAL DIVISION
1200 THIRD AVENUE, SUITE 700
SAN DIEGO, CALIFORNIA 92101-4103
TELEPHONE (619) 533-5500
FAX (619) 533-5505

July 31, 2008

VIA FACSIMILE AND U.S. MAIL

Paul G. McNamara
O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, CA 90071-2899

Brooks R. Brown
Goodwin Procter LLP
10250 Constellation Blvd., 21st Floor
Los Angeles, CA 90067

RE: *People of the State of California v. Countrywide Financial Corp., et al.*
San Diego Superior Court Case No. 37-2008-00088176-CU-BT-CTL
U.S. District Court, Southern District, Case No. 08 CV 1348 JLS (BLM)

Gentlemen:

Today, Bank of America finds itself ensnared in the subprime mortgage crisis due to its acquisition of Countrywide Financial Corporation on July 1, 2008. Jurisdictions across the nation are investigating the lending activities of Countrywide and its top executives, including a recently publicized federal grand jury probe. Lawsuits have been filed in California, Illinois, Florida and Washington against Countrywide, its executives, and Bank of America, including the lawsuit initiated by this office. While Bank of America did not create the problems associated with Countrywide's predatory lending practices, it is uniquely positioned to rectify Countrywide's past conduct as well as further enhance its standing as a community leader.

As you are aware, this office's lawsuit alleges that Countrywide and its executives engaged in a pattern of fraudulent, unlawful and unfair business practices in selling high-risk, non-traditional loan products since 2003. As outlined in our complaint, Countrywide executives devised a scheme wherein the company knowingly marketed and sold these loan products to borrowers it knew would ultimately be unable to repay the loans. Our research shows that many of these borrowers were eligible for traditional, non-subprime loans and were steered towards subprime loans due to the demands of the secondary market and the profit margins associated with these types of loans. Similar allegations have been leveled against Countrywide by the California Attorney General and his counterparts in the states of Illinois and Florida. Unlike

these other matters, our lawsuit seeks to enjoin the foreclosure of certain properties within the City of San Diego until Bank of America has had an opportunity to meet with the borrower and take reasonable steps in an attempt to resolve their differences.

By way of this letter, I am requesting that your client agree to a voluntary moratorium halting all foreclosure activities within the City of San Diego related to certain Countrywide loans where Bank of America, through its acquisition, either still holds the loans in its portfolio or has the servicing rights to the loans. Specifically, the proposed moratorium would address only those Countrywide loans where the residence is the borrower's primary residence and the following four factors exist:

1. The loan is an adjustable rate mortgage with an introductory period of three years or less;
2. The loan has an introductory or "teaser" interest rate that is at least three percent lower than the fully indexed rate;
3. The borrower has a debt-to-income ratio that would have exceeded fifty percent under traditional underwriting standards utilizing the debt due under the fully indexed rate and not the debt due under an introductory or "teaser" rate; and
4. The loan-to-value ratio is one-hundred percent or the loan carries a substantial prepayment penalty or a prepayment penalty that extends beyond the introductory period.

During the proposed moratorium, Bank of America would agree to make all reasonable efforts to contact the borrower and take all reasonable steps to resolve their differences, including participation in mediation before an independent mediator selected by the parties. Further, during the proposed moratorium, Bank of America would agree to allow the borrower to make reasonable payments to continue living in the home, with the difference between what the borrowers pays per month and the actual monthly payment being added to the principle of the loan. Foreclosure activities may resume once all reasonable efforts have been expended.

In light of HUD's announcement that the \$300 billion FHA voluntary program to prevent foreclosures may not be operational for a year, it is especially important that your client either work cooperatively with this office and voluntarily declare a foreclosure moratorium on the types of mortgages identified above, or we will continue to explore all available remedies, including seeking a preliminary injunction if necessary. This office will agree to view a voluntary moratorium as an act of goodwill consistent with Bank of America's previous commitment to foreclosure relief, and not an admission of any wrongdoing.

July 31, 2008

I trust this proposal will be promptly communicated to and discussed with Kenneth Lewis and Barbara Desoer. The time is now for Bank of America to demonstrate its willingness to support San Diego homeowners affected by Countrywide's unfair business practices.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Aguirre". The signature is fluid and cursive, with a long horizontal stroke at the end.

MICHAEL J. AGUIRRE
City Attorney

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